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**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**

**FINANCIAL AND COMPLIANCE AUDIT  
 TOGETHER WITH  
 INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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Release Date \_\_\_\_\_

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana

We have audited the accompanying basic financial statements of **New Orleans Tourism Marketing Corporation (NOTMC)** as of and for the year ended December 31, 2002, a component unit of the City of New Orleans as listed in the Table of Contents. These financial statements are the responsibility of **NOTMC** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **New Orleans Tourism Marketing Corporation**, as of December 31, 2002 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana  
Page 2

As described in NOTE 2, NOTMC adopted the provisions of the Government Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments and GASB Statement No. 38, Certain Financial Statements Note Disclosures, as of January 1, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 2003 on our consideration of NOTMC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 to 10 and budgetary comparison on page 35 are not required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on its.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

April 11, 2003

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**New Orleans Tourism Marketing Corporation (NOTMC)** is a component unit of the City of New Orleans. NOTMC's management discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of NOTMC's financial activity, and identify changes in NOTMC's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending December 31, 2002.

This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. The following is an illustration on how this financial report is presented.

**MD&A**

Management's Discussion and Analysis  
(required and supplementary information – new)

**Basic Financial Statements**

Government-Wide Financial Statements

Fund Financial Statements  
(refocused)

Notes to the financial statements  
(expanded/restructured)

**Other required Supplementary Information**

Required supplementary information  
(other than MD&A expanded)

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

**Government-Wide Financial Statements**

The government- wide financial statements are new and provide a perspective of **NOTMC** as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets, for the first time, combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various **NOTMC** services.

**Fund Financial Statements**

The fund statements are similar to financial presentations of years past, but the new focus is on **NOTMC's** major funds rather than fund types as in the past. The two account groups: General Fixed Assets and General Long-term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In addition, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The General Fund is the only fund type of **NOTMC**. The General Fund is used to account for the general activities of **NOTMC**. Its revenues are derived from hotel/motel taxes, RTA hotel taxes, City of New Orleans base funding, Casino lease, Casino hotel agreement and other sales revenues.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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Financial Analysis of **NOTMC** as a whole

<b>Summary of Net Assets</b>	
<b>Assets</b>	
Current assets	\$ 5,353,105
Capital assets	68,098
Less accumulated depreciation	<u>(3,950)</u>
Capital assets, net book value	<u>64,148</u>
 Total assets	 <u>5,417,253</u>
<b>Liabilities</b>	
Current liabilities	\$1,795,096
Long-term liabilities	<u>15,845</u>
 Total liabilities	 <u>1,810,941</u>
<b>Net Assets</b>	
Invested in capital assets	64,148
Unrestricted	<u>3,542,164</u>
 Total net assets	 <u>\$ 3,606,312</u>

As indicated by the statement above, total net assets are \$3,606,312. Net assets can be separated into two categories: invested in capital assets and unrestricted assets.

Invested in capital assets is a combination of capital assets at original cost less accumulated depreciation. The original cost of capital assets is \$68,098, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$3,950.

The remaining \$64,148 in assets is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance directly affects **NOTMC's** operating results each year.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**Results of Operations**

	Amount	% of Total
<b>General Revenues</b>		
Base Funding-City of New Orleans	\$ 1,000,000	9.3%
Hotel/Motel Taxes	4,478,550	41.8%
RTA/Hotel Taxes	3,063,769	28.6%
Casino/City Lease Agreement	1,000,000	9.3%
Casino/Hotel Agreement	500,000	4.7%
Other Revenue	644,860	6.0%
Interest Income	<u>23,437</u>	<u>.3%</u>
Total General Revenues	<u>10,710,616</u>	<u>100%</u>
<b>Expenses</b>		
Provisions of Funding to Outside Agencies	3,281,149	34.3%
Special Events	240,425	2.5%
Marketing	5,719,548	59.8%
General & Administrative	309,794	3.2%
Depreciation	<u>3,950</u>	<u>.2%</u>
Total Expenses	<u>9,554,866</u>	<u>100%</u>
Increase in Net Assets	<u>\$1,155,750</u>	

GASB 34 requires year over year comparisons, but since this is the first year of GASB 34, no comparison is required. This statement will have revenue and expense comparisons beginning in fiscal year 2003.

As indicated above, net assets increased \$1,155,750. This increase is primarily due to increased amounts earned from Hotel/Motel taxes, RTA Hotel taxes and other revenues.

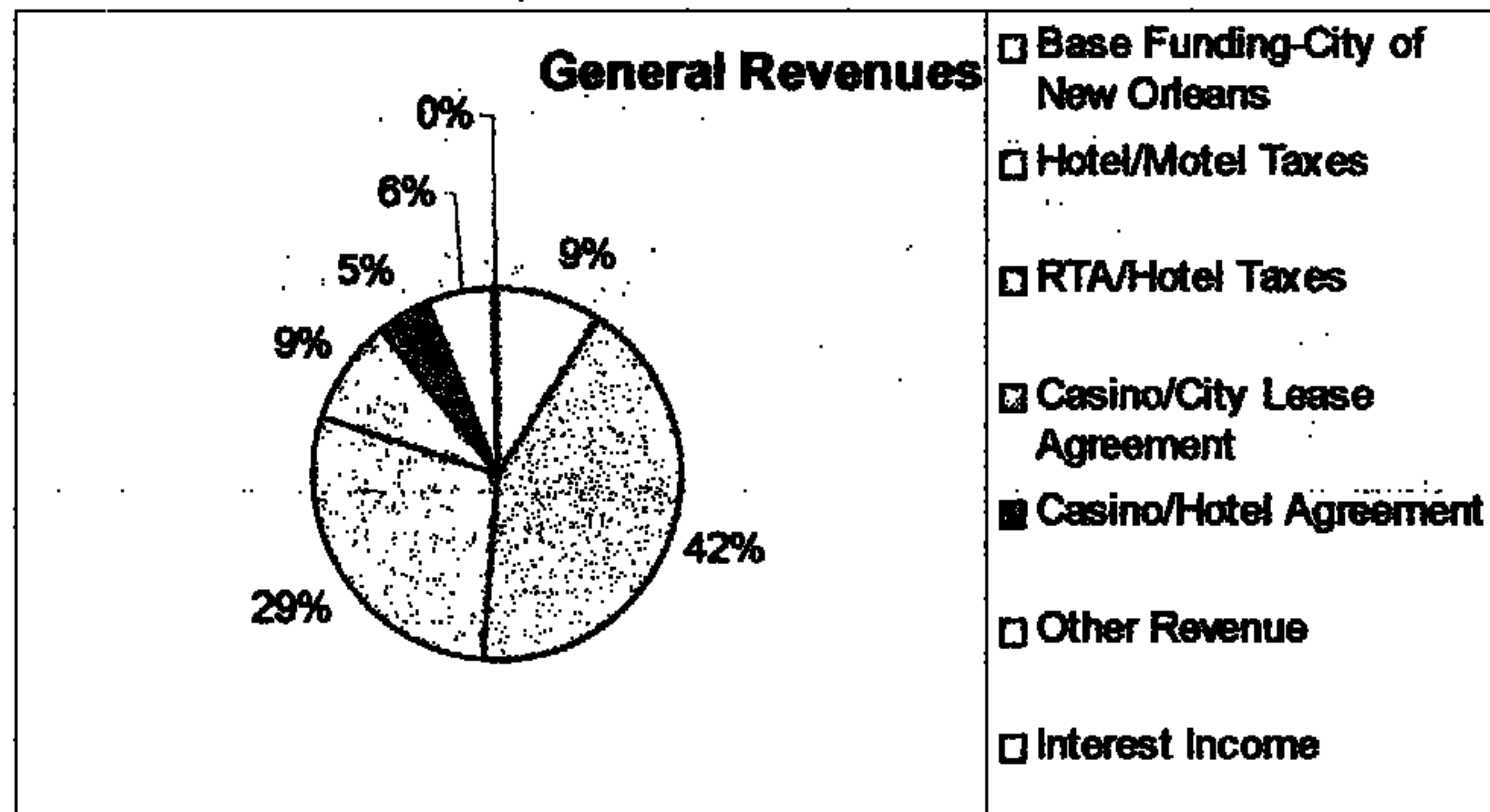


**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**Revenues**

The following chart illustrates NOTMC'S sources of revenues by percentages:



\* Revenue chart is based on government-wide funding

**Sources of Revenues**

- Base funding
- Hotel/motel taxes
- RTA hotel taxes
- Casino City lease agreement
- Casino hotel agreement
- Other revenues
- Interest income

**General Revenues**

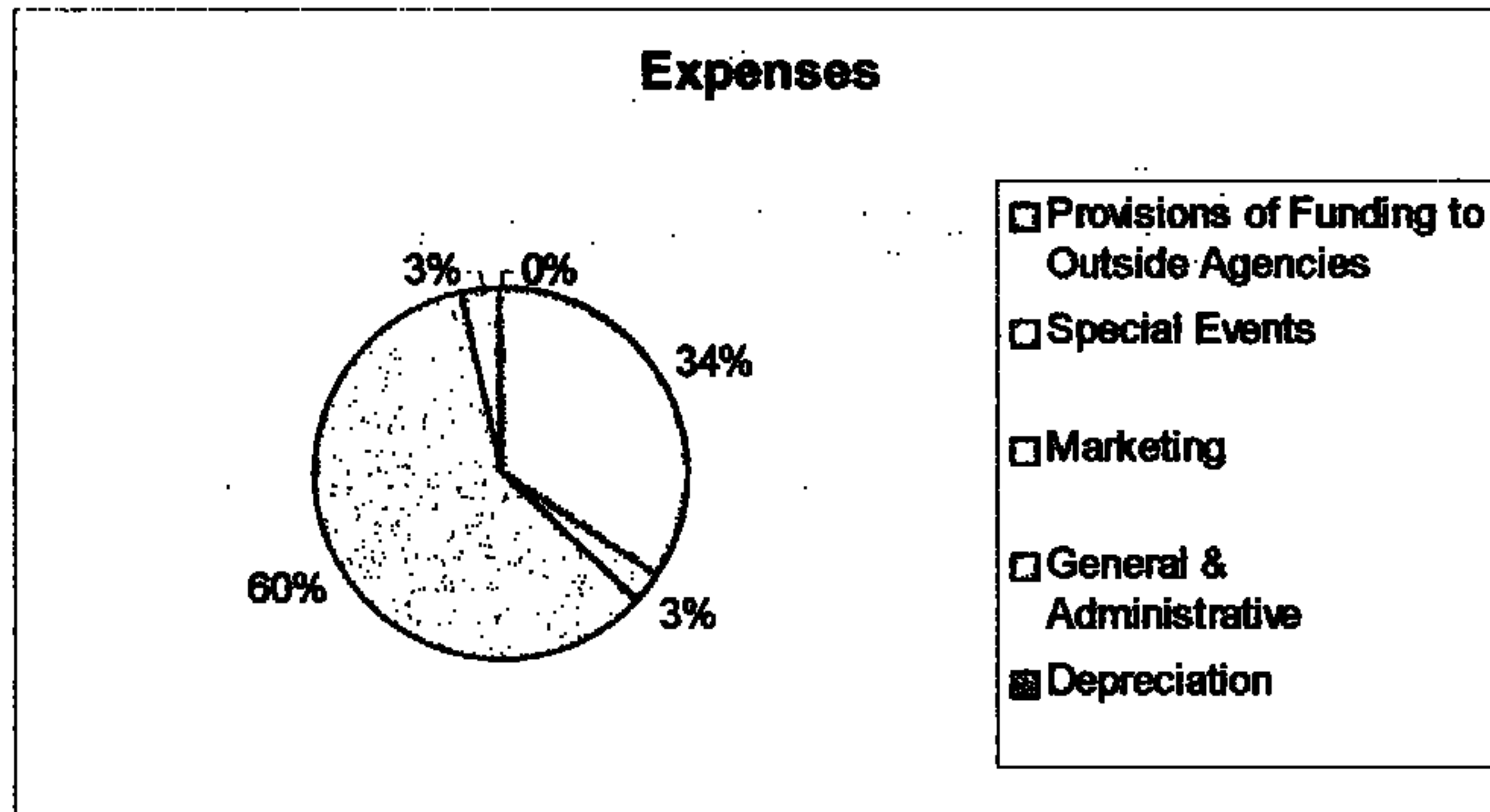
A significant portion of general revenues is provided from hotel/motel taxes and RTA hotel taxes. Hotel/motel taxes and RTA hotel taxes totaled \$4,478,550 and \$3,063,769, respectively. See Note 4 to the financial statements for further discussions of the sources of NOTMC's revenues.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**Expenses**

The following chart illustrates NOTMC's expenses by percentages:



Expenses include provision of funding to outside agencies of \$3,281,149, special events of \$240,425, marketing of \$5,719,548, general and administration of \$309,794 and depreciation of \$3,950.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**Capital Assets and Debt Administration**

**Capital Assets**

At December 31, 2002, NOTMC had \$64,148 invested in furniture and equipment.

<b>Assets</b>	<b>2002</b>	<b>2001</b>
Furniture and equipment	<u>\$68,098</u>	<u>\$88,419</u>
Less accumulated depreciation	<u>\$3,950</u>	<u>\$88,419</u>
Net capital assets	<u>\$64,148</u>	\$ <u>0</u>

This is an increase in capital assets of \$68,098 over last year and includes the purchase of computer equipment and furniture. Depreciation expense for the year is \$3,950.

**Economic Factors and Next Year's Budget**

The major factor affecting the budget is the economy and its effect on the tourism industry. The NOTMC's budget is greatly affected by the amount of tax revenues received from the Hotel/Motel Occupancy Privilege Tax and RTA/Hotel Tax. The world climate relating to public safety and homeland security also influences the consumer's confidence in the travel industry. New Orleans has fared well during past times of economic crisis and NOTMC will continue to be conservative in its estimations in order to reduce any possible financial vulnerability.

**Original vs. Revised Budget**

As required by state law, the Board of Directors of NOTMC adopts the original budget of NOTMC prior to the commencement of the fiscal year to which the budget applies.

As a matter of practice, NOTMC amends its budget during the fiscal year. For the 2002 fiscal year, the budget was amended only one time on May 21, 2002. The General Fund budget for expenditures was increased by 12%.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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**Revenue Budget**

The general fund budget for revenues was not revised during the 2002 fiscal year. NOTMC actual general fund revenues of \$10,710,616 were more than the budget by \$2,660,616, a variance of 33%. This variance was created by the receipt of tax collections in excess of the budgeted amount.

**General Fund Expenditures**

NOTMC's budget for expenditures increased by 12% for the year ended December 31, 2002.

**General fund expenditures**

Total expenditures revised budget	\$9,038,683
Total expenditures original budget	\$8,050,000

**Increase in Expenditure Budget**

As indicated above, NOTMC's actual general fund expenditures of \$9,613,195 were more than the revised budget by 6%.

**Some of the significant revised budget adjustments for the year include:**

- |                             |           |
|-----------------------------|-----------|
| • Christmas Media           | \$500,000 |
| • Summer Marketing Campaign | \$185,000 |
| • Family Marketing Campaign | \$100,000 |

**Contacting NOTMC Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of NOTMC's finances and demonstrate NOTMC's accountability for money it receives. If you have questions about this report or need additional information, contact Ms. Sandra S. Shilstone, President & CEO, New Orleans Tourism Marketing Corporation, 365 Canal Street, Suite 1120, New Orleans, LA. 70130.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2002**

**GOVERNMENTAL  
ACTIVITIES**

**ASSETS**

**Current Assets:**

Cash (NOTE 3)	\$3,207,223
Hotel/motel taxes receivable	646,075
RTA hotel taxes receivable	1,237,703
Base funding receivable	250,000
Other receivable	11,900
Other assets	<u>204</u>

Total current assets	<u>5,353,105</u>
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**Noncurrent Assets:**

Capital assets (NOTE 5)	68,098
Less accumulated depreciation	<u>(3,950)</u>

Total noncurrent assets	<u>64,148</u>
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Total assets	<u>5,417,253</u>
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**LIABILITIES**

**Current Liabilities:**

Accounts payable and accrued expenses	\$ 889,116
Due to outside agencies, net (NOTE 10)	<u>905,980</u>

Total current liabilities	<u>1,795,096</u>
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**Noncurrent liabilities:**

Compensated absences	<u>15,845</u>
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Total liabilities	<u>1,810,941</u>
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**NET ASSETS**

Invested in capital assets	64,148
Unrestricted	<u>3,542,164</u>

Total net assets	<u>\$3,606,312</u>
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The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>GOVERNMENTAL ACTIVITIES</u>
Expenses:	
Provision of funding to outside agencies (NOTE 6)	\$ 3,281,149
Special events	240,425
Christmas media and promotion	623,863
National media	566,089
Summer media	178,461
Television media	774,033
Production	811,373
Public relations	192,160
Research	50,339
Telemarketing	75,643
Marketing agency fees	877,593
Interactive marketing	503,657
Special summer convention	125,000
General and administrative	309,794
Fulfillment	226,053
Family marketing campaign	147,224
Hospitality marketing and festival support	568,060
Depreciation	<u>3,950</u>
Total	<u>9,554,866</u>
General Revenues:	
Base funding - City of New Orleans (NOTE 4)	1,000,000
Hotel/motel taxes (net of collection fees) (NOTE 4)	4,478,550
RTA hotel taxes (NOTE 4)	3,063,769
Casino City lease agreement (NOTE 4)	1,000,000
Casino hotel agreement	500,000
Other revenue (NOTE 4)	644,860
Interest income	<u>23,437</u>
Total general revenues	10,710,616
Change in net assets	1,155,750
Net assets, beginning of year, as restated (NOTE 11)	<u>2,450,562</u>
Net assets, end of year	<u>\$ 3,606,312</u>

The accompanying notes are an integral part of these financial statements.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**BALANCE SHEET - GOVERNMENT FUND**  
**DECEMBER 31, 2002**

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**GENERAL FUND**

**ASSETS**

Cash (NOTES 2(F) AND 3)	\$3,207,223
Hotel/motel taxes receivable	646,075
RTA hotel taxes receivable	1,237,703
Base funding receivable	250,000
Other receivables	11,900
Other assets	<u>204</u>
Total assets	<u><u>\$5,353,105</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable and accrued expenses	\$ 889,116
Due to outside agencies, net	<u>905,980</u>

Total liabilities	<u>1,795,096</u>
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Fund Balance:

Undesignated	<u>3,558,009</u>
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Total fund balance	<u>3,558,009</u>
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Total liabilities and fund balance	<u><u>\$5,353,105</u></u>
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The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**RECONCILIATION OF THE BALANCE SHEET-**  
**GOVERNMENT FUNDS TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2002**

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Total fund balance-Governmental Fund	\$3,558,009
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Amounts reported for governmental activities in  
the Statement of Net Assets are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the fund (NOTE 5):

The cost of capital assets is	\$68,098	
Accumulated depreciation is	<u>(3,950)</u>	64,148

Long-term liabilities are not due and payable  
in the current period therefore are not  
reported in the fund:

Compensated absences	<u>(15,845)</u>
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Net assets of governmental activities	<u>\$3,606,312</u>
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The accompanying notes are an integral part of these financial statements.

NEW ORLEANS TOURISM MARKETING CORPORATION  
(A Component Unit of the City of New Orleans)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE--GOVERNMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>GOVERNMENT FUND</u>
<u>REVENUES</u>	
Base funding - City of New Orleans	\$ 1,000,000
Hotel/motel taxes (net of collection fees)	4,478,550
RTA hotel taxes	3,063,769
Casino City lease agreement	1,000,000
Casino hotel agreement	500,000
Other revenue	644,860
Interest income	<u>23,437</u>
Total revenues	<u>10,710,616</u>
<u>EXPENDITURES</u>	
Provision of funding to outside agencies	3,281,149
Special events	240,425
Christmas media and promotion	623,863
National media	566,089
Summer media	178,461
Television media	774,033
Production	811,373
Public relations	192,160
Research	50,339
Telemarketing	75,643
Marketing agency fees	877,593
Interactive marketing	555,924
Special summer convention	125,000
General and administrative	303,974
Fulfillment	226,053
Family marketing campaign	163,056
Hospitality marketing and festival support	<u>568,060</u>
Total expenditures	<u>9,613,195</u>
Net change in fund balance	1,097,421
Fund balance, beginning of year	<u>2,460,588</u>
Fund balance, end of year	<u>\$3,558,009</u>

The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

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Total net change in fund balance - Governmental Fund	\$1,097,421
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

The Governmental Fund reported capital outlays as  
expenditures whereas in the Statement of Activities,  
these cost are depreciated over their estimated lives:

Depreciation expense	(3,950)
Capital outlays	68,098

Long-term compensated absences are reported in the  
Government-Wide Statement of Activities, but they  
do not require the use of current financial resources.

Therefore, compensated absences are not reported as expenditures in the Governmental Fund	<u>(5,819)</u>
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Change in net assets of governmental activities	<u>\$1,155,750</u>
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The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Organizations and Operations:**

**New Orleans Tourism Marketing Corporation (NOTMC)** was organized January 1, 1990. The objectives and purposes of **NOTMC** are as follows:

- o To continuously stimulate the hospitality and tourism industry of the City of New Orleans through regional, national and international advertising and marketing of the City of New Orleans as a tourist and convention site and a vacation destination;
- o To stimulate economic development in the City of New Orleans through the marketing and solicitation of conventions and trade shows throughout the United States and the World; and
- o To advance, promote and maintain tourism and trade in the City of New Orleans through marketing activities directed at the discretionary tourist or traveler through advertising, direct mailing, or other means.

**NOTMC** is administered by a Board of Directors consisting of fifteen (15) members appointed as follows:

- o One (1) member appointed by the Mayor of the City of New Orleans;
- o Three (3) members appointed by the City Council from its members;

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 1 - Organization and Operations, Continued:**

- o Three (3) members appointed from a list of six (6) nominees submitted by the New Orleans Metropolitan Convention and Visitors Bureau;
- o Four (4) members appointed from a list of eight (8) nominees submitted by the Greater New Orleans Hotel/Motel Association;
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans Multicultural Tourism Network, Inc.;
- o One (1) member appointed from a list of two (2) nominees submitted by the Preservation Resource Center;
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans East Economic Development Foundation; and
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans Chapter of the Louisiana Restaurant Association.

**NOTMC** commenced operation on May 1, 1991.

The accounting and reporting policies of **NOTMC** conform to accounting principles generally accepted in the United States of America as applicable to governmental bodies. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidance set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Summary of Significant Accounting Policies:**

The following is a summary of the significant policies followed in the preparation of these financial statements.

**A) Implementation of Governmental Accounting Standards Board Statements**

During the fiscal year 2002, **NOTMC** adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 established standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital Assets - consists of capital assets, net of accumulated depreciation.

Restricted Net Assets - result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2002, **NOTMC** had no restricted net assets.

Unrestricted Net Assets - consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**A) Implementation of Governmental Accounting Standards Board Statements, Continued**

The Statement of Activities - demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

**B) Reporting Entity**

**NOTMC** is a component unit of the City of New Orleans, the reporting entity, as defined by the Governmental Accounting Standards Board pronouncement.

**C) Funds**

**NOTMC** uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain **NOTMC** functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The fund of **NOTMC** is classified as governmental.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**C) Funds, Continued**

The Governmental fund accounts for all of NOTMC's general activities. This fund focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of NOTMC. The following is NOTMC's governmental fund:

**General Fund** - the operating fund of NOTMC and it accounts for all financial resources. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to NOTMC.

**D) Measurement Focus/Basis of Accounting**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of NOTMC.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

**D) Measurement Focus/Basis of Accounting, Continued**

Government-Wide Financial Statements (GWFS), Continued

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Fund Financial Statements ((FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the governmental-wide statements and the statements for governmental funds are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**D) Measurement Focus/Basis of Accounting, Continued**

Fund Financial Statements (FFS), Continued

Fund financial statements report detailed information about **NOTMC**. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. At December 31, 2002, the general fund is the only major fund of **NOTMC**.

Governmental funds and the agency fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. **NOTMC** considers all revenues available if they are collected within 60 days after the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**E) Budgetary Data**

NOTMC follows these procedures in establishing the budgetary data reflected in these financial statements:

1. NOTMC is required to prepare an annual budget and submit it to the Board of Directors.
2. Upon review and completion of all action necessary to finalize the budget, it is then adopted by the Board of Directors prior to the commencement of the fiscal year to which the budget applies.
3. Budgetary amendments involving the transfer of funds from one program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Directors.
4. All budgetary appropriations lapse at the end of the fiscal year.
5. The budget for the general fund expenditures is prepared on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted or as amended by the Board of Directors.
6. The budget of the City of New Orleans' appropriations must be approved by the City of New Orleans.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**F) Cash**

Cash includes amounts in demand deposits and interest-bearing time deposits. Under state law, NOTMC may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**G) Compensated Absences**

Unused vacation leave may be accumulated up to a specified maximum and is paid at the time of termination from NOTMC employment. NOTMC is not obligated to pay for unused sick leave if an employee terminates prior to retirement.

NOTMC accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental fund is maintained separately and represents a reconciling item between the fund and government-wide presentation.

**H) Income Taxes**

NOTMC is exempt from taxation under Section 527 of the Internal Revenue Code.

**I) Capital Assets**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. NOTMC maintains a threshold level of \$500 or more for capitalizing capital assets.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

**I) Capital Assets, Continued**

Capital assets are recorded in the GWFS, but are not reported in the FFS. Furniture and equipment are depreciated using the straight-line method over three (3) to ten (10) years estimated useful lives.

**J) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - Cash:

**NOTMC** had cash totaling \$3,207,223 (book balances) at December 31, 2002, as follows:

Demand deposits	\$2,404,764
Time deposits	<u>802,459</u>
Total	<u><u>\$3,207,223</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 3 - Cash, Continued:**

The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2002, NOTMC has \$3,559,641 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$4,633,350 of pledged securities held by a custodial bank in the name of the fiscal agent bank (GASB Category No. 3).

**NOTE 4 - Sources of Revenue of New Orleans Tourism Marketing Corporation:**

The major sources of revenue are base funding, hotel occupancy privilege tax, RTA hotel tax, casino funding and other revenue as discussed below:

- A) Base Funding - Pursuant to New Orleans City Council Ordinance No. 18358, Base Funding for NOTMC shall be the amount of funds to be received from the City of New Orleans and/or other public or nonprofit entities, and/or private contributions.

For the year ended December 31, 2002, NOTMC received \$1,000,000 in Base Funding.

- B) Hotel Occupancy Privilege Tax - The Hotel Occupancy Privilege Tax (effective November 1, 1990) is levied upon persons for the privilege of occupying hotel rooms within Orleans Parish in the amount of fifty cents (\$0.50) per occupied hotel room per night for hotels containing from three (3) to two hundred ninety-nine (299) rooms and one dollar (\$1.00) per occupied hotel room per night for hotels containing three hundred (300) or more rooms.

Every hotel operator subject to this tax shall make reports on the previous month's business on or before the twentieth day of the following month to the City of New Orleans.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Sources of Revenue of New Orleans Tourism Marketing Corporation,**  
**Continued:**

The imposition and collection of the Hotel Occupancy Privilege Tax shall be repealed and discontinued upon the occurrence of any of the following:

- o The disposition or liquidation of **NOTMC**; or
- o The specific decertification of **NOTMC** as a nonprofit economic development corporation by the New Orleans City Council.

For the year ended December 31, 2002, **NOTMC** earned \$4,569,949 (net of collection fees of \$91,399) from the Hotel Occupancy Privilege Tax.

- C) RTA Hotel Tax - As provided by the agreement for services and cooperative economic endeavor by and between the Regional Transit Authority (RTA) and **NOTMC**, **NOTMC** shall receive a sum of 40% of the first \$7,200,000 of the RTA's 1% general sales and use taxes, applied to hotels in Orleans Parish, actually received by the RTA each calendar year not to exceed \$2,880,000.

In consideration of the payments to be made by the RTA to **NOTMC**, **NOTMC** shall perform the following marketing services:

- Promote the use of the RTA's transit services to tourist or business travelers;
- Consult with the RTA regarding information or promotion of the RTA's transportation services available to tourist or business travelers;

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Sources of New Orleans Tourism Marketing Corporation. Continued:**

- Assist the RTA and other agencies to secure funding for existing and proposed streetcar and lightrail projects; and
- Provide funding, not to exceed 3.45% of the RTA hotel tax received from the RTA, to the Mayor's Office of Tourism and Arts who shall make all reasonable efforts to use such funds to feature or enhance tourism, public transportation and other goals and objectives of the agreement.

Additional, **NOTMC** shall allocate and dedicate 50% of the RTA hotel tax received from RTA to the Morial Convention Center Expansion Transit Fund (the Transit Fund). The funds paid to the Transit Fund and related earnings must be used for the benefit of the Phase IV Convention Center expansion project administered by the Ernest N. Morial New Orleans Exhibition Hall Authority.

- D) Casino City Lease Agreement - According to the lease agreement among the City of New Orleans (the City) and the Rivergate Development Corporation and the Jazz Casino Company (the Casino), the Casino is required to make an annual contribution of \$1,000,000 to the destination marketing program of the City for the joint benefit of the City and the Casino in order to promote the City and the Casino as destinations. The City has utilized **NOTMC** to conduct the destination marketing program on behalf of the City.
- E) Casino Hotel Agreement - In April of 2001, the Casino has agreed to make payments, annually, for a five year period for additional marketing monies to be dedicated to **NOTMC** to market the entire City. These annual payments are in addition to the above amounts required by the lease agreement.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 4 - Sources of New Orleans Tourism Marketing Corporation, Continued:**

- F) Other Revenue - Other revenue includes sales of advertising and discount coupons placed in tourism guides produced by NOTMC, sales of co-sponsored and shared advertising placed by NOTMC in national print media and sales of advertising and linking services on NOTMC's Internet web site.

**NOTE 5 - Capital Assets:**

Capital assets and depreciation activity as of and for the year ended December 31, 2002 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Furniture and equipment	\$ 88,419	\$ 68,098	\$(88,419)	\$68,098
<u>Accumulated Depreciation</u>				
Furniture and equipment	<u>(88,419)</u>	<u>(3,950)</u>	<u>88,419</u>	<u>(3,950)</u>
Net capital assets	\$ <u>-0-</u>	<u>\$64,148</u>	\$ <u>-0-</u>	<u>\$64,148</u>



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 6 - Transactions with Outside Organizations:**

**Provision of Funding**

According to the Council of the City of New Orleans' Ordinance (Council Ordinance) to adopt NOTMC's Tourism Promotion Program for 2002 and as provided by the RTA Hotel Tax Agreement, NOTMC provided funding to the following organizations.

	<u>RTA Hotel Tax Agreement</u>	<u>Council Ordinance</u>	<u>Total</u>
New Orleans Metropolitan Convention and Visitors Bureau	\$ -0-	\$1,232,674	\$1,232,674
New Orleans Multicultural Tourism Network, Inc.	-0-	410,891	410,891
Ernest N. Morial New Orleans Exhibition Hall Authority	1,531,884	-0-	1,531,884
Mayor's Office of Tourism and Arts	<u>105,700</u>	<u>-0-</u>	<u>105,700</u>
	<u>\$1,637,584</u>	<u>\$1,643,565</u>	<u>\$3,281,149</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 7 - Operating Lease:**

**NOTMC** has an operating lease for office space. For this lease, **NOTMC** has, as of December 31, 2002, a contractual agreement requiring the following rental payments:

<u>Fiscal Year Ending</u> <u>December 31,</u>	<u>Facility</u>
2003	\$ 46,545
2004	46,545
2005	47,348
2006	48,150
2007	48,952
2008	<u>24,878</u>
Total	<u>\$262,418</u>

Lease expense for the current year amounted to \$31,468.

**NOTE 8 - Risk Management:**

**NOTMC** is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **NOTMC** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 9 - Fair Value of Financial Instruments:**

The estimated fair value of all significant financial instruments have been determined by utilizing available market information and appropriate valuation methodologies. **NOTMC** considers the carrying amounts of cash and receivables to be fair value.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 10- Due to Outside Agencies , Net:**

At December 31, 2002, the net amount due to outside agencies is as follows:

	Amount Due From At December 31, <u>2001</u>	Provision Of Funding Expenditure At December 31, <u>2002</u>	Payments Made To Outside Agencies At December 31, <u>2002</u>	Total Net Amount Due To At December 31, <u>2002</u>
Ernest N. Morial New Orleans Exhibition Hall Authority	\$ -0-	\$(1,531,884)	\$ 913,032	\$(618,852)
Mayor's Office of Tourism and Arts	7,619	(105,700)	63,000	(35,081)
New Orleans Metropolitan Convention and Visitors Bureau	143,638	(1,232,674)	900,000	(189,036)
New Orleans Multicultural Tourism Network, Inc.	<u>47,880</u>	<u>(410,891)</u>	<u>300,000</u>	<u>(63,011)</u>
Total	<u>\$199,137</u>	<u>\$(3,281,149)</u>	<u>\$2,176,032</u>	<u>\$(905,980)</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 11 - Change in Accounting Principles:**

Adjustments resulting from a change to comply with GASB No. 34 are treated as adjustments to prior periods. Accordingly, **NOTMC** reports these changes as restatements of beginning net assets as follows:

Fund balance of the general fund as of December 31, 2001	\$2,460,588
Deduct: Governmental compensated absences payable as of December 31, 2001	<u>(10,026)</u>
Governmental net assets, restated, as of January 1, 2002	<u>\$2,450,562</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Base funding - City of New Orleans	\$1,000,000	\$1,000,000	\$ 1,000,000	\$ -0-
Hotel/Motel taxes (net of collection fees)	3,000,000	3,000,000	4,478,550	1,478,550
RTA hotel taxes	2,550,000	2,550,000	3,063,769	513,769
Casino City lease agreement	1,000,000	1,000,000	1,000,000	-0-
Casino hotel agreement	500,000	500,000	500,000	-0-
Other revenue	-0-	-0-	644,860	644,860
Interest income	-0-	-0-	23,437	23,437
Total revenues	<u>8,050,000</u>	<u>8,050,000</u>	<u>10,710,616</u>	<u>2,660,616</u>
<b><u>EXPENDITURES</u></b>				
Provision of funding to outside agencies	2,518,350	2,562,975	3,281,149	(718,174)
Special events	200,000	224,687	240,425	(15,738)
Christmas media and promotion	250,500	648,374	623,863	24,511
National media	800,663	446,182	566,089	(119,907)
Summer media	188,500	186,900	178,461	8,439
Television media	324,338	854,272	774,033	80,239
Production	536,000	726,452	811,373	(84,921)
Public relations	202,442	200,724	192,160	8,564
Research	174,599	123,939	50,339	73,600
Telemarketing	175,000	173,515	75,643	97,872
Marketing agency fees	874,800	878,660	877,593	1,067
Interactive marketing	400,000	525,600	555,924	(30,324)
Special summer convention	125,000	125,000	125,000	-0-
General and administrative	336,578	344,353	303,974	40,379
Fulfillment	240,000	237,964	226,053	11,911
Family marketing campaign	240,798	287,522	163,056	124,466
Hospitality marketing and festival support	<u>462,432</u>	<u>491,564</u>	<u>568,060</u>	<u>(76,496)</u>
Total expenditures	<u>8,050,000</u>	<u>9,038,683</u>	<u>9,613,195</u>	<u>(574,512)</u>
Net change in fund balance	-0-	(988,683)	1,097,421	2,086,104
Fund balance, beginning of year	<u>2,460,588</u>	<u>2,460,588</u>	<u>2,460,588</u>	<u>-0-</u>
Fund balance, end of year	<u>\$2,460,588</u>	<u>\$1,471,905</u>	<u>\$ 3,558,009</u>	<u>\$2,086,104</u>

See Independent Auditors' Report on Supplementary.



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Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
New Orleans, Louisiana

We have audited the general purpose financial statements of **New Orleans Tourism Marketing Corporation (NOTMC)** (A Component Unit of the City of New Orleans) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether NOTMC's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance that we have reported to management of NOTMC in a separate letter dated April 11, 2003.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered NOTMC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of management, the City of New Orleans and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

April 11, 2003



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

---

We have audited the general purpose financial statements of **New Orleans Tourism Marketing Corporation (a component unit of the City of New Orleans)** as of and for the year ended December 31, 2002, and have issued our report thereon dated April 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 2002 resulted in an unqualified opinion.

**1. Summary of Auditors' Results**

- A. Reportable conditions in internal control were disclosed by the audit of the financial statements: None Reported Material weaknesses: No.
- B. Noncompliance which is material to the general purpose financial statements: No.
- C. Reportable conditions in internal control over major programs: N/A Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 501(a) of OMB Circular A-133: N/A.
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

---

1. **Summary of Auditors' Results, Continued**

I. A management letter was issued: Yes

2. **Financial Statement Findings**

No matters were reported.

3. **Federal Award Findings and Questioned Costs**

Not applicable.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF PRIOR YEAR FINDINGS**

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**Section I - Internal Control and Compliance Material to the Financial Statements**

No findings were reported.

**Section II - Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Section III - Management Letter**

No management letter comments were reported.



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## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana

We have audited the financial statements of **New Orleans Tourism Marketing Corporation (NOTMC)** for the year ended December 31, 2002 and have issued our report thereon dated April 11, 2003.

In planning and performing our audit of the financial statements of **NOTMC** for the year ended December 31, 2002, we considered **NOTMC's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The comment that accompanies this letter summarizes our finding and recommendation regarding this matter. This letter does not affect our report dated April 11, 2003 on the financial statements of **NOTMC**.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and recommendation with various **NOTMC** personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter or to assist you in implementing the recommendation.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**

**CURRENT YEAR MANAGEMENT LETTER COMMENT**

---

**02-01 Budget Amendment**

Actual expenditures exceeded total budgeted expenditures by 6%. NOTMC is in noncompliance with Louisiana Revised Statute, Section 39:1310, that requires the chief executive or administrative officer of a political subdivision to notify the governing authority in writing and amend its budget when actual expenditures exceed total budgeted expenditures by 5% or more.

We recommend that NOTMC monitor its budget on a regular basis to ensure that actual revenues, expenditures and beginning fund balance budget variances are always within the legal limits for budgeting controls.

**Management's Response**

NOTMC concurs with the auditors' comment and recommendation and will implement a system to develop projections using trends in hotel/motel and RTA tax collections.

NOTMC is mandated by ordinance to make expenditures to outside agencies based solely on actual base funding and hotel/motel taxes collected and reported by the City of New Orleans. Consequently, expenses in this category are incurred when reported by the City. NOTMC received Hotel/Motel collections for November and December, 2002 and RTA collections for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2002 in April, 2003.

While NOTMC does in fact monitor its budget on a regular basis, due to the economic uncertainty of leisure travel because of world events, it was difficult to project the 3<sup>rd</sup> and 4<sup>th</sup> quarters 2002 activity in order to revise the operating budget within the City Council's time table.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**

**CURRENT YEAR MANAGEMENT LETTER COMMENT**

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This report is intended solely for the use of management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

April 11, 2003